



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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February 24, 2004

Mary Jean Ryan, Director
Office of Policy and Management
City Hall
600 Fourth Avenue, Floor 6
P.O. Box 94745
Seattle, Washington 98104

Dear Ms. Ryan:

Thank you for the opportunity to serve on the peer review panel for the study of *Potential Economic and Fiscal Impacts of South Lake Union Development*. The comments I provide in this letter relate solely to my service as a member of this panel.

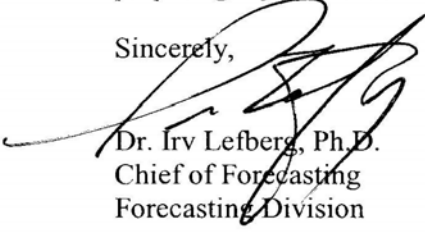
During the peer review process, the Office of Financial Management (OFM) staff requested a specific breakdown of revenue estimates for the State of Washington from the development activity in South Lake Union. Accordingly, I have reviewed *Appendix 1: Potential Economic and Fiscal Impacts for the state of Washington*.

This is a competent and well researched addendum regarding the potential economic impacts of South Lake Union development for the State of Washington. The changes proposed by the peer review group and adopted by Dr. Sommers have strengthened the analysis. By using a range of development scenarios, the study captures the upside potential and downside risks of the forecast, and provides a useful "order of magnitude" estimate of what is economically at stake for the state in South Lake Union development. Including the economic impacts of the construction phase of development in South Lake Union and making adjustments to sales tax calculations proposed by the peer reviewers also improves the quality of the estimates.

The Appendix, which examines potential economic impacts for the state of Washington, provides a reasonable and technically sound estimate of the potential state revenue associated with development of the area over the next twenty years. The study is not a cost benefit analysis and does not offer conclusions as to whether the level of potential economic and revenue impacts predicted could be achieved without new public investments; or, indeed, whether additional public support may be required to achieve the predicted benefits for the city and state.

I appreciate that Dr. Sommers has provided this Appendix to the final report. I look forward to also preparing my comments on the final report.

Sincerely,



Dr. Irv Lefberg, Ph.D.
Chief of Forecasting
Forecasting Division

